Challenges and Opportunities Saskatchewan

Agriculture, Food and the Rural Way of Life

March, 1989

The Hon. J. Gary Lane, Q.C.
Minister of Finance
Budget, 1989-90

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Honourable J. Gary Lane, Q.C.
Minister of Finance

This Progressive Conservative Government believes in Saskatchewan's future. By working with the people of this Province, we can undertake exciting new initiatives to make the future our own.

The 1989-90 Budget Address highlights many of the innovative measures that this Government will undertake in the coming year. These new initiatives will position Saskatchewan people to take up the challenges and opportunities presented by a world economy in transition.

This budget document provides the details of these initiatives. It demonstrates our determination to address the needs and aspirations of the Saskatchewan people. It demonstrates our commitment to take a comprehensive, coordinated approach to the development of the Province. It acknowledges the interdependent nature of our rural and urban communities and demonstrates our firm conviction that Saskatchewan must be seen as more than simply the sum of its parts.

The people of Saskatchewan are working together to build on their accomplishments. The initiatives described in this document enable us to build the foundation for a better tomorrow.

Hon. J. Gary Lane, Q.C.
Minister of Finance

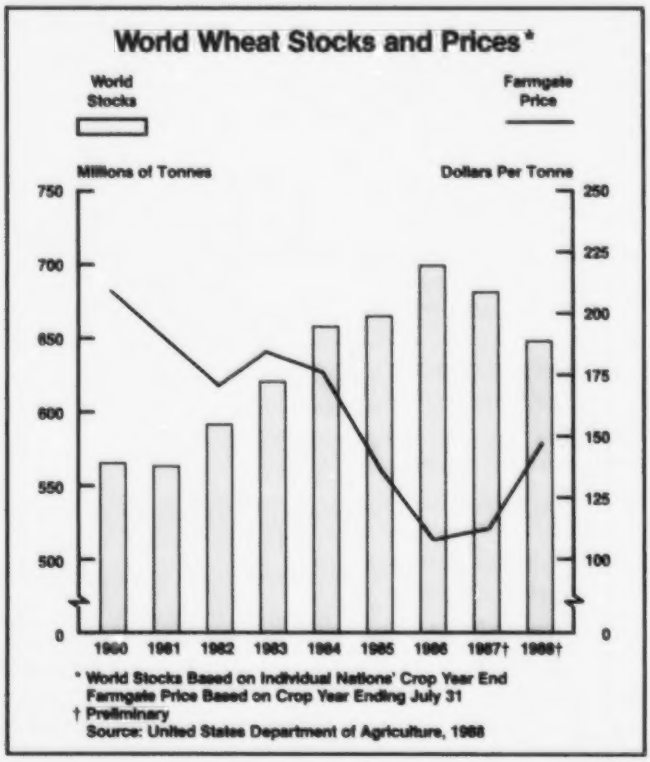
Agriculture, Food and The Rural Way of Life

Introduction

Saskatchewan's agricultural industry is a cornerstone of the provincial economy. As one of the Province's largest industries, agriculture directly employs more than one in six of Saskatchewan's workers.

The 1980s have been difficult for Saskatchewan farmers. Increased world production and growing surpluses, trade protectionism supported by foreign subsidies and the grain trade wars have created an atmosphere of uncertainty. As a result, Saskatchewan's farm families have faced declining incomes, falling asset values and rising debt burdens.

The security of the family farm and rural communities has been threatened further by the worst drought in nearly 30 years. At the same time, in 1988, world grain reserves declined and grain prices increased.

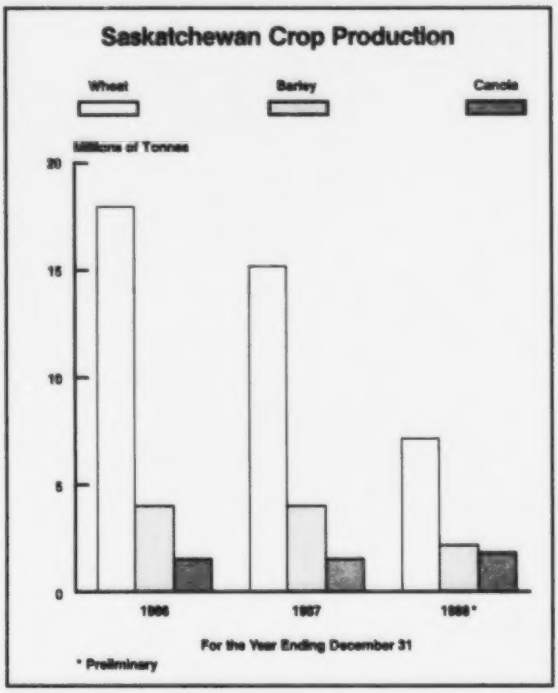


Keeping The Commitment

In 1988, the federal and provincial governments acted to offset the impacts of the drought through:

- $450 million in Canada-Saskatchewan Crop Insurance payments to Saskatchewan producers;
- $850 million in the federal Canadian Crop Drought Assistance Program, with over $400 million targeted toward Saskatchewan producers;
- $64 million for Greenfeed and Livestock Drought Assistance Programs; and,

- $8.5 million to assist farmers and local communities to secure necessary water supplies.



This year, the Government of Saskatchewan will complete its commitment to these drought initiatives by:

- extending the water assistance program until the Fall of 1989, at a cost of $10 million;
- providing $6.5 million for final payments under the Livestock Drought Assistance Program; and,
- enhancing the crop and forage insurance programs.

The impact of the shortfall in grain production as a result of the drought had significant consequences for the rural business community. **This Government acted to assist our rural communities and their small businesses by introducing the $10 million Business Tax Assistance Program to provide needed business tax relief. This measure will reduce business taxes by an average of 25 per cent.**

The 1989-90 Budget provides over $147 million for the Department of Agriculture and Food. Priorities include:

- strengthening the family farm and rural communities through diversification;
- new measures directed to the farm debt problem;
- adoption of new farming technology;
- protecting our environment; and,
- enhancing our trade opportunities.

Family Farm and The Rural Way of Life

This Government has not allowed temporary, adverse international price and trading conditions to affect the quality of rural life. The stability of our rural farm families has been enhanced by the Government's efforts to build a strong and diversified community base.

This Government has supported new opportunities in crop and livestock diversification.

- Increases in irrigation acreage, through the five-year $100 million Irrigation Based Economic Development Agreement, provide new opportunities for higher value production of forages and specialty crops. This investment enhances our potential to diversify into areas such as feed milling, feedlots and food processing.
- The increase in livestock production has been dramatic. Annual feeder cattle production has increased by more than 100,000 head since 1980. Hog marketing has risen to almost one million hogs per year, a 30 per cent increase since 1980. These results are a positive signal upon which to build a stronger meat processing industry.
- The $7 million Gainers bacon plant in North Battleford created 125 new jobs.
- The $2 million Canada Packers expansion and the $7 million expansion to Intercontinental Packers will double their beef processing capacity and provide new jobs and opportunities for Saskatchewan livestock producers.

This Government has encouraged the diversification of new business activity in smaller rural communities. For example:

- Canadian Organic Producers Marketing, in Girvin, sells organically grown grains in the North American market;
- Leon-Ram Enterprises Inc., in Yorkton, has diversified into the manufacture of health care beds;
- Hunters Manufacturing Ltd., in North Battleford, employs 160 people in the manufacture of recreational vehicles;
- Canapharm Inc., in Wolseley, employs 30 people in the production of intravenous solutions for health care facilities; and,
- Veltek Wood Systems Inc., in Dysart, manufactures modular furniture.

This Government will continue to support new business activities in our rural communities through such initiatives as the Rural Service Network and the Community and Rural Development Corporation Programs. To date, over 100 rural and small urban municipalities are working with their farmers, local businesses and the Government to explore innovative opportunities for new investment.

Saskatchewan's agricultural industry is the foundation of rural community life. This Government recognizes that in addition to a strong agricultural industry, community infrastructure and services are necessary to build strong communities and enhance the quality of rural life.

The construction of roads, schools and health care facilities in rural Saskatchewan supports a high level of service across this Province. This Government is committed to further enhancing the quality of life for farm families in areas such as rural child care, crime prevention and pensions for homemakers and the self-employed (the Saskatchewan Pension Plan). These services are important to all rural communities.

The implementation of initiatives such as the Saskatchewan Communications Advanced Network (SCAN) will broaden access to educational opportunities and complement this Government's commitment to continue the development of rural infrastructure.

Enhanced access to education, new highways and roads, health care facilities, rural gasification and individual telephone line service are examples of Government initiatives which strengthen the distinctive way of rural life.

This Budget builds on these achievements by providing new diversification opportunities in rural Saskatchewan to ensure economic growth in our rural communities.

- The new mandate for the Department of Agriculture and Food will emphasize the need to look beyond the primary production phase to also focus on all aspects of food production, processing and marketing.
- The $34.8 million commitment to irrigation development will provide our farming community with greater certainty of production.
- The Saskatchewan Government Growth Fund will direct up to $100 million in new investment toward economic development opportunities in Saskatchewan.
- The expanded mandate for the Saskatchewan Economic Development Corporation will provide small business loans and loan guarantees to business associations and Rural Development Corporations.

These initiatives will complement our diversification efforts to provide new opportunities for economic growth in our Agri-food sector.

Farm Debt

The unprecedented level of interest rates, combined with the inflationary period of the 1970s and early 1980s, created a debt situation which threatened a large number of farm families. **The Government acted by:**

- implementing The Farm Land Security Act to provide a moratorium on farm foreclosures and to provide producers facing financial difficulty the opportunity for a fair review of their financial status;

- providing guarantees for debt consolidation and operating loans for viable producers through the Counselling and Assistance For Farmers (CAFF) Program;
- negotiating the $2.1 billion federal government Special Canadian Grains Program;
- introducing the Farm Purchase Program, which provided eight per cent interest rates on farm loans;
- providing $25 per acre in loans through the Production Loan Program to 58,000 Saskatchewan producers to finance farming operations;
- extending repayment terms for the Production Loan Program from the original three years to ten years;
- providing loan advances against livestock inventories through the Livestock Cash Advance Program; and,
- introducing the livestock investment and livestock facilities tax credits to encourage increased livestock production.

There is much optimism for a sustained recovery of grain prices. However, debt problems and the availability of credit remain a concern to many farm families.

This Government recognized the importance of protecting the farm family from high debt loads. Last year, protection for the farm and home quarter and mediation services for farmers were consolidated under The Saskatchewan Farm Security Act.

New Farm Finance Initiatives

This year, new innovative farm financing options will be introduced.

Farm finance legislation will expand the mandate of the Agricultural Credit Corporation of Saskatchewan (ACS) to enhance the range of financial services provided to farmers for capital acquisitions. This will encourage and assist our young people to enter the agricultural industry.

ACS will offer, as part of its extended mandate, financing on:

- the home quarter and necessary farm-related facilities; and,
- capitalization of the first year's start-up costs.

In addition, debt refinancing will be made available to producers who are in financial difficulty and reach a settlement with their lenders and who continue to show sufficient viability.

For these programs, ACS lending criteria will be revised to:

- provide loans up to $500,000;
- increase the net worth limit to $500,000; and,
- remove the limit on off-farm income to eliminate any disadvantage to farmers and new entrants with off-farm employment.

An innovative Vendor Mortgage Guarantee Program will provide retiring farmers with a guarantee on mortgages to new or developing farmers. This Program will ensure financial security for retired farmers and provide the youth of our Province with the opportunity to pursue a career in agriculture. It will:

- remove the risks associated with the sale of land; and,
- encourage retiring farmers to leave their capital in agriculture for the benefit of the purchaser.

This Government will implement a voluntary farm equity financing pilot project to buy, sell and lease land to Saskatchewan farmers. It will offer provincial residents and locally controlled financial institutions the opportunity to invest in the farm sector.

This Government remains committed to the pursuit of long-term solutions for farm financial problems and will continue to work toward those solutions through consultations with the federal government, financial institutions, farm organizations and individuals.

Adoption of New Technology

Technology provides Saskatchewan farmers with the tools necessary to continue to be world leaders in food production. New crop varieties, increased feeding efficiency in livestock production and mechanization all make major contributions to productivity.

The trend towards increased productivity will continue. The technology affecting agriculture is evolving rapidly. Advancements in biotechnology and genetic engineering will lead to new crop varieties resistant to salinity, frost, drought and pests.

The future of Saskatchewan agriculture depends on using the potential of biotechnology and other farming advances to our commercial advantage.

The development of new technologies will reduce the costs of production and increase yields. In a world of rapidly changing technology our farm industry cannot be left behind.

This Government has supported agricultural technological advancement by:

- establishing the five-year $200 million Agriculture Development Fund;
- supporting the Prairie Agricultural Machinery Institute (PAMI); and,
- investing in our universities through the construction of a new College of Agriculture Building at the University of Saskatchewan.

This Government is committed to assisting our agriculture industry to maintain its position as a world leader in farm technologies.

Research and Development

Research and development opportunities in the Province will be encouraged through the renewal of the Agriculture Development Fund. In total, the 1989-90 Budget will provide over $29 million from the Agriculture Development Fund.

In support of research and development, this Fund will provide $9 million over five years to Ag-West Biotech Inc., a Saskatchewan agricultural biotechnology research and commercial development company.

It is estimated by the Economic Council of Canada that by 1995 Canada will be producing in excess of $20 billion in biotechnology goods per year and that world markets for these products will be growing by 30 to 35 per cent annually. The development of this technology in Saskatchewan will ensure the future viability of our primary agricultural industry and provide the foundation for an important secondary product supply and processing industry with national and international markets.

The benefits of biotechnology have not gone unnoticed by our competitors who are pursuing its potential with increased vigour. Efforts by Saskatchewan to develop this technology will enhance our ability to maintain and expand market share. Indeed, the future of Saskatchewan agriculture depends on developing biotechnology to our commercial advantage.

Protecting Our Environment

The growing utilization of farm chemicals and fertilizers, the threat of changing climatic conditions from the greenhouse effect and the depletion of the ozone layer are issues which concern farmers and the non-farm public.

Saskatchewan's recent mild winters and last year's drought emphasize the destructive powers of nature on our valuable land resource. Soil degradation caused by erosion, salinization and loss of nutrients is a major ongoing environmental concern in Saskatchewan.

Soil Conservation

The Government has taken a number of significant initiatives to ensure that Saskatchewan is at the leading edge in the development of new farming techniques and alternative crop production. **To promote better soil management, the Government has:**

- committed $15 million, over five years, from the Agriculture Development Fund to promote innovative research and development programs to conserve soil resources;
- initiated a three-year Save our Soils Program to encourage soil and crop management practices to control wind and water erosion, soil salinity and declining nutrient levels; and,
- played a significant role in the creation of the Saskatchewan Soils Conservation Association, an organization that promotes soil management practices to reduce soil degradation.

These initiatives are showing positive results, but this Government recognizes the need for further efforts to restore and rehabilitate our soil resources. Accordingly, and in keeping with the National Agriculture Strategy, **funding will be made available in this Budget to enter into a three-year $54 million Soil Conservation Agreement with the Government of Canada.**

Under this Agreement, the Government will plant approximately 2,100 miles of field shelter-belts across the Province annually.

The Agreement will also provide funds for an innovative Permanent Cover Program to take marginal agricultural lands out of production. This Program, the first of its kind in Canada, will provide financial incentives for farmers to plant marginal lands to perennial forages or, in some cases, trees and shrubs for recreation, wildlife or forestry purposes.

In addition, the Agreement will provide funds for a new Marginal Land Use Adjustment Program. The Program will offer technical and financial assistance to organized groups for the establishment of permanent cover on irrigated lands no longer suitable for irrigation.

Pest Eradication

Rats cause at least $30 million damage each year in Saskatchewan through the loss of foodstuffs and damage to buildings. Rats also transmit disease to humans and livestock, resulting in further significant costs.

It is the intention of this Government to eliminate this pest in Saskatchewan. **In 1989-90, $1.6 million will be allocated toward a six-year strategy to eradicate this pest.**

This program will be implemented through the Rural Service Network Offices in conjunction with local governments.

The Greenhouse Effect

Monies will be set aside to undertake a research study on the greenhouse effect. **The study will estimate the impact of the greenhouse effect on Saskatchewan and develop a plan of action to mitigate any negative impacts.** The results of this study will serve as a key component in the development of an integrated environmental strategy for the Province.

This Government has recognized the need to enact programs and policies to respond to the increasing stress placed on the environment. These initiatives are a further demonstration of our commitment to take positive action to protect Saskatchewan's rural environment.

Trade Opportunities

The strength of Saskatchewan and its agricultural industry depends on the prosperity gained from international trade. Saskatchewan farm families recognize the need to develop and maintain stronger trade relations. This Government took the initiative by:

- taking the Saskatchewan message to the Canada-United States Free Trade negotiations; and,
- promoting the interests of the Saskatchewan agricultural community in international trade discussions.

The signing of the historic Free Trade Agreement established new opportunities for Saskatchewan agriculture. The Agreement will open new markets for our food and livestock products, while maintaining the Canadian Wheat Board and our supply marketing agencies, a fundamental part of Canadian agriculture.

The Province continues to look beyond the Free Trade Agreement to pursue world-wide trade and investment opportunities. Saskatchewan has a vested interest in the successful resolution of the current Uruguay round of trade liberalization negotiations.

The General Agreement on Tariffs and Trade (GATT) must be strengthened to ensure more stable and predictable markets. **This Government will continue to promote the Province's interests in the multilateral trade negotiations with the European Community, the United States and the Asia-Pacific Rim countries.**

Efforts to enhance trade opportunities are proving successful. The Premier has recently strengthened our links with the Asia-Pacific market by promoting high-tech products, natural resources, agricultural commodities and food products.

Saskatchewan exports of both raw and processed products continue to expand.

- Canada's annual wheat exports continue to grow substantially, increasing almost 8 million tonnes since 1980. Saskatchewan has benefited significantly from new markets and increased sales to nations such as Egypt, South Korea and the United States. In addition, we have maintained our traditional markets, including the USSR, which has increased imports by almost 100 per cent since 1979.
- Wild rice has found new markets in such countries as West Germany, the Netherlands and the United Kingdom.
- Processed beef and pork exports have increased substantially to such nations as the United States and Japan.
- Canola sales have been expanded to new markets, including the United States and Mexico. In total, annual canola exports have increased more than 25 per cent since 1980.

This Government will continue its efforts to promote Saskatchewan agricultural trade opportunities through introduction of new program initiatives including:

- assistance through the Agriculture Development Fund to promote food product development and commercialization;
- an Export Financing Guarantee Program to assist business to realize export opportunities; and,

- Export Market Assistance Programs to share the cost of marketing initiatives with Saskatchewan companies and farm producers.

A more rational international trading environment will present new opportunities upon which we can build a stronger agricultural industry. This Government will lead the way by ensuring that these opportunities are realized today and in the future.

Conclusion

This winter's snowfall, a decline in the world grain reserves and rising prices are cause for cautious optimism in Saskatchewan's rural communities. While last year's drought and farm financial difficulties remain this Government's immediate concern, we must not lose sight of the opportunities before us.

New and growing markets provide both challenges and opportunities for our agriculture and food producing industries. Further diversification and additional agricultural processing will result in new investment and new jobs to strengthen our rural community base.